

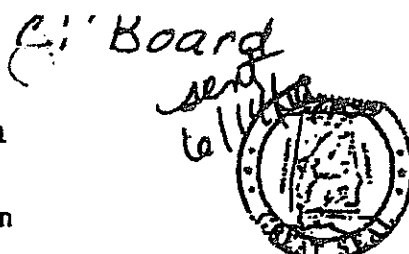


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CIRCUIT COURT OF
BALDWIN COUNTY, ALABAMA
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Exhibit 3



State of Alabama
 Department of Education
 Ed Richardson
 State Superintendent of Education



June 12, 2000

Alabama
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 of Education

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Dr. Ed Richardson
 Secretary and
 Executive Officer

Mr. Eugene A. Melton, Mayor
 City of Trussville
 P. O. Box 159
 Trussville, Alabama 35173

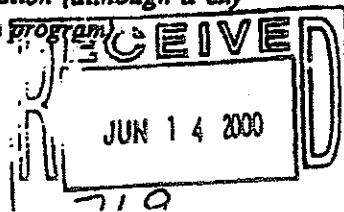
Dear Mr. Melton:

You requested information on forming a city school system. State law provides general guidance for the creation of a city school system with much of the details subject to the negotiation of an agreement between the two school boards. Therefore, the answers (*in italics below*) to the following questions you may have are general information and should not be considered as authoritative.

A. Funding. How would Trussville fund a system? What funding would be coming from the state and or county? What percentage of additional funding should come from which various taxes?

Although a city is not required to provide additional local funds to a city school system, most cities dedicate a special ad valorem tax or a city sales tax (or both) for schools. These taxes allow city schools to develop long-range plans to benefit current and future students. Many cities also float bond issues for school construction. Annual city council appropriations also provide an important (though not always stable) source of funds for schools.

A city school system receives state funds from the FOUNDATION PROGRAM and other state appropriations (with approximately 90% from the FOUNDATION PROGRAM). The number of students is the primary factor in determining FOUNDATION PROGRAM funds. Each school board is required to provide local funds to match FOUNDATION PROGRAM funds. The local match is the equivalent of 10 district mills of local ad valorem tax. (The collection of local taxes beyond the required 10 mills has no effect on FOUNDATION PROGRAM funds.) The other state appropriations are designated for capital purchases, at-risk students, school nurses, exit exam remediation, preschool students, and student transportation (although a city school system is not required to operate a transportation program).



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A city school system is entitled to a share of countywide sales and ad valorem taxes. Unless local legislation or an agreement provided by Ala. Code § 16-13-31 provides otherwise, the school boards share the taxes based on the FOUNDATION PROGRAM costs for each school system. Ala. Code § 16-13-199 provides that the district school tax collected in the city belongs to the city school system.

A new school system would require start-up funds from the city. The school year is July 1 through June 30 and the state fiscal year is October 1 through September 30. A new school system does not receive a monthly FOUNDATION PROGRAM payment until the end of October. The city would most likely need to provide funds for salaries and school operations for July through September as well as any costs prior to July 1.

B. Facilities. Would the city system assume the school facilities in the city limits or construct new facilities? If the city system assumed the present facilities would the county system receive any compensation for the facilities? If there is any indebtedness associated with facilities fairness would require that the indebtedness be assumed also but would the city system be in a position to decline acceptance of any facility?

The transfer of school property is subject to negotiation of an agreement between the school boards. In most cases classroom buildings in the city become property of the city school system without remuneration. However, the city school system would usually be required to make debt payments (if any) on such property.

C. Personnel. Would the city system be required to retain the personnel associated with any facility?

The retention of school personnel is subject to the negotiated agreement between the two school boards (subject to the approval of the State Superintendent of Education). Ala. Code § 16-24-2 states "...the continuing service status of teachers involved in such changes is in no way jeopardized." (Teachers retain tenure.) In the most recent formation of a city school system all current employees of the schools (unless dismissed by the county school system) were allowed to remain at their position unless the employee chose and was accepted at another assignment in the county school system.

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D. School District. Would the city system be able to draw a district that includes all children attending Trussville schools at this time? If they are included would a property tax earmarked for education countywide go to the system in which the property is located or be dispersed based on enrollment?

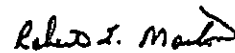
The drawing of attendance zones for a city school system for Trussville may have to be decided by the judicial system. Item A. Funding addresses the distribution of local taxes.

In order to complete a feasibility study for a separate school system tentative answers to the questions above are needed. Attendance zones would be an important factor in estimating state funds for a new school system.

This letter is not intended to encourage or discourage the formation of a city school system in Trussville nor should the answers to your questions be considered authoritative.

If you need additional information, please let us know.

Sincerely,


Robert L. Morton
Assistant State Superintendent
Administrative and Financial Services

RLM/DWH

cc: Dr. Byron B. Nelson, Jr.